

**DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

For the years ended December 31, 2009 and 2008

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
STATEMENTS OF NET ASSETS	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 -10
SUPPLEMENTARY INFORMATION	11



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Board of Directors
Dickinson County, Kansas
Rural Water District No. 2
Carlton, Kansas 67488

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Dickinson County Rural Water District No. 2, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dickinson County Rural Water District No. 2, as of December 31, 2009 and 2008 and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 and 11, are not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted by the United States of America. We have applied certain limited procedures, which consisted primarily of inquiring of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Pottberg, Gassman & Hoffman, Chtd.

POTTBERG, GASSMAN & HOFFMAN, CHARTERED
Abilene, Kansas
May 26, 2010

MEMBERS:

American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Dickinson County Rural Water District No. 2 (District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2009. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Total funds spent for Capital Improvement Projects in 2009 were \$9,576, \$9,201 was for additional installations of the Sensus Radio Read System. During 2009, the District continued with their mandatory conservation measures. These directives have not been lifted since their inception in 2008 and most likely will not be in the near future. Drought conditions of the past few years have depleted the water table in Abilene's well field. It will take considerable rainfall to replenish the water supply. Annual water usage in 2009 was 47,754,000 gallons, an increase in usage of 3,803,000 gallons from 2008. This increase can be attributed to the accuracy of the radio read meters, the additional benefit units added and customer leaks. Five new benefit units were added in 2009 for a total of 678. The implementation of water restrictions has meant there are fewer funds available to meet daily operation and maintenance costs, to cover the 1.25 debt service ratio which must be maintained to comply with our bond issue financial covenant and continue to build the capital improvement fund for future improvements. The District is also obligated to establish Reserve Fund Accounts to comply with both the bond issue and the Rural Development Loan. The bond issue requires \$62,500 dollars to be set aside. This account is fully funded. The Reserve Fund Account for the 40-year Rural Development Loan is fully funded at \$26,004. Both reserve fund accounts must be maintained until their corresponding debt is paid in full. In an effort to be frugal, maintenance repairs and other operating costs were kept to a minimum in 2009.

2009 operating income exceeded operating expenses by \$35,320 providing a Debt Service Ratio of 1.88. The board has designated a reservation of unrestricted net assets for capital improvements of \$305,624 and for debt payment in the amount of \$19,595. Capital contributions are benefit units sold during 2009. Overall, there was an increase in our cash assets of \$82,538.

This financial report is designed to provide a general overview of the Districts finances and demonstrate the District commitment to public accountability. If you have any question about this report or would like to request additional information, contact the District office at 320A Main Avenue, Carlton, KS 67448.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
STATEMENTS OF NET ASSETS
DECEMBER 31,

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 21,852	\$ 13,185
Checking Account - CNB	102,802	69,823
Money Market - Roxbury Bank	102,882	68,204
Money Market - CNB	222,416	216,202
Certificates of Deposit	449,952	367,414
Total Cash and Cash Equivalents	2,313	-
Accrued Interest Receivable	32,505	24,836
Accounts Receivable - Net	21,212	16,718
Inventory	667	667
Prepaid Rent	506,649	409,635
Total Current Assets		
Noncurrent Assets		
Capital Assets	3,110,098	3,100,522
Water System and Equipment	924,194	924,194
Abilene Treatment Plant	263,975	263,975
Navarre Project	56,170	56,170
Westar Project	125,883	125,695
Office Equipment and Vehicles	(2,195,126)	(2,080,869)
Accumulated Depreciation	2,285,194	2,389,687
Total Capital Assets	76,696	74,834
Certificate of Deposit - Bond Reserve	27,937	27,230
Certificate of Deposit - Note Reserve	3,392	5,331
Bond Issue Costs (less accumulated amortization of \$12,115 and \$10,176)	2,393,219	2,497,082
Total Noncurrent Assets	\$ 2,899,868	\$ 2,906,717
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Current Liabilities	\$ 3,556	\$ 5,268
Accounts Payable	1,814	2,242
Payroll Taxes Payable	630	613
Water Protection and Clean Water Fees Payable	105	72
Sales Tax Payable	1,495	2,020
Accrued Interest Payable	-	280
Compensated Absences	76,796	76,481
Current Portion of Note and Bonds Payable	84,396	86,976
Total Current Liabilities		
Noncurrent Liabilities	407,468	413,955
USDA Note Payable	(1,285)	(2,019)
Discount on Bond Issues (less accumulated amortization of \$4,590 and \$3,856)	180,000	250,000
Revenue Bonds Payable	(76,796)	(76,481)
Less Current Portion	509,387	585,455
Total Noncurrent Liabilities	593,783	672,431
Total Liabilities		
Net Assets	1,697,726	1,725,732
Invested in Capital Assets, net of related debt		
Restricted for	62,500	62,500
Bond Issue Reserve	26,004	26,004
Note Reserve	519,855	420,050
Unrestricted	2,306,085	2,234,286
Total Net Assets	\$ 2,899,868	\$ 2,906,717
TOTAL LIABILITIES AND NET ASSETS		

The notes to the financial statements are an integral part of this statement.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Monthly Minimum	\$ 233,030	\$ 229,244
Water Revenues	167,420	148,949
TOTAL OPERATING REVENUES	<u>400,450</u>	<u>378,193</u>
OPERATING EXPENSES		
Analysis of Water System	391	237
Clean Drinking Water Fee	1,416	1,356
Director's Costs	608	1,319
Dues and Subscriptions	655	629
Electricity	12,361	12,921
Employee Benefits	869	3,432
Insurance	9,392	9,709
Legal, Accounting and Engineering Fees	7,541	7,505
Maintenance Supplies	105	56
Miscellaneous	97	13,468
Office Expense	2,720	1,030
Payroll Taxes	6,247	8,536
Postage	3,788	3,437
Printing	1,837	1,729
Rent and Lease Expense	2,000	2,000
Repairs and Maintenance	26,605	20,619
Salaries and Wages	92,748	82,969
Telemetry System	381	371
Telephone	1,565	1,391
Training	975	1,589
Travel	1,564	1,487
Truck Expense	11,276	20,049
Water Purchases - Abilene	62,409	65,303
TOTAL OPERATING EXPENSES	<u>247,550</u>	<u>261,142</u>
INCOME FROM OPERATINGS BEFORE AMORTIZATION AND DEPRECIATION	152,900	117,051
Amortization	(2,673)	(2,673)
Depreciation	(114,907)	(107,635)
OPERATING INCOME (LOSS)	<u>35,320</u>	<u>6,743</u>
NON-OPERATING REVENUES AND EXPENSES		
Interest Income	13,235	13,199
Other Income	29,869	31,074
Other Expense	(111)	(257)
Interest Expense	(27,077)	(29,351)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>15,916</u>	<u>14,665</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	51,236	21,408
Capital Contributions	20,563	49,896
CHANGE IN NET ASSETS	71,799	71,304
NET ASSETS, BEGINNING	2,234,286	2,162,982
NET ASSETS, ENDING	<u>\$ 2,306,085</u>	<u>\$ 2,234,286</u>

The notes to the financial statements are an integral part of this statement.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 392,781	\$ 389,867
Cash Payments to Suppliers for Goods and Services	(153,845)	(165,141)
Cash Payments to Employees and Professional Contractors for Services	(100,569)	(90,687)
Net Cash Provided (Used) by Operating Activities	<u>138,367</u>	<u>134,039</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(10,414)	(251,167)
Principal Paid on Bonds and Notes	(76,487)	(76,177)
Interest Paid on Bonds and Notes	(27,602)	(29,832)
New Benefit Unit Installations and Fees	29,758	30,817
Bond and Note Reserve Funds	(2,569)	(4,428)
Capital Contributions	20,563	49,896
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(66,751)</u>	<u>(280,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	10,922	16,800
Net Cash Provided (Used) by Investing Activities	<u>10,922</u>	<u>16,800</u>
Net Increase (Decrease) in Cash and Cash Equivalents	82,538	(130,052)
Cash and Cash Equivalents at January 1	367,414	497,466
Cash and Cash Equivalents at December 31	<u>\$ 449,952</u>	<u>\$ 367,414</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Income from Operations	\$ 152,900	\$ 117,051
Changes in Receivables	(7,669)	11,674
Changes in Inventory	(4,494)	4,743
Changes in Payables	(2,370)	571
Net Cash Provided by Operating Activities	<u>\$ 138,367</u>	<u>\$ 134,039</u>

The notes to the financial statements are an integral part of this statement.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION DESCRIPTION

The Rural Water District No. 2, Dickinson County, Kansas, was declared incorporated as a quasi-municipal Corporation by the Board of Commissioners of Dickinson County, Kansas, on April 21, 1972.

Basis of Accounting

The District's financial information is reported on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America. The District performs proprietary activities and therefore is subject to all Governmental Accounting Standards Board (GASB) pronouncements (GASB 34 has been implemented) as well as Financial Accounting Standards Board (FASB) statements and interpretations, and Accounting Principles Board (APB) opinions that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

All bank deposit accounts, money market accounts and certificates of deposits classified as current assets are determined to be cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets purchased for \$500 or more are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method.

Inventory

Inventory consists of pipe, valves, meters, etc. to repair water lines, stated at cost.

Accounts Payable

Accounts payable consist of invoices received from vendors for services or products received during the period but not yet paid.

Operating Activities

Operating revenues result from exchange transactions associated with the activity of the water district. Each party receives and gives up essentially equal values. Non-operating revenue results from non-exchange transactions such as investment earnings.

NOTE 2 – DEPOSITORY SECURITY

As of December 31, 2009, securities pledged and FDIC insurance exceeded balances on deposit. Roxbury Bank and Central National Bank have pledged securities in the District's name held by Bankers' Bank of Kansas and Intrust Bank, respectively.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

NOTE 2 – DEPOSITORY SECURITY continued

The following is a comparison of depository security with balances on deposit with the District's designated depositories:

	<u>Roxbury</u> <u>Bank</u>	<u>Central</u> <u>National</u> <u>Bank</u>
Demand deposits on 12/31/2009	\$ 102,802	\$126,543
Time deposits on 12/31/2009	250,405	76,696
FDIC coverage	(250,000)	(203,239)
Pledged securities	<u>(140,830)</u>	<u>(111,208)</u>
Unsecured deposits	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are customer water bills that have been invoiced but remain unpaid. The balance is shown net of the allowance for doubtful accounts. Using past payment history and the aging report, the allowances as of December 31, 2009, and 2008 have been determined to be zero.

The following is an aging of accounts receivable for the District at December 31, 2009:

<u>Accounts Receivable</u>	<u>Total</u>	<u>Current</u>	<u>Over 30 Days</u>
Customers	\$32,505	\$29,665	\$2,840

NOTE 4 – CAPITAL ASSETS

Financial statements issued for 1974 and prior periods reported only cash receipts and disbursements for the period covered. Historical costs for the District and financing received from grants and land owners were not accumulated. The total cost of the water system's depreciable property was determined to be \$2,145,359. This cost is being depreciated over fifty (50) years useful life, which began on October 1, 1975. Other assets are being depreciated with useful lives ranging from five years for vehicles and computers to 50 years for water distribution system upgrades and additions.

<u>Balance</u> <u>January 1,</u> <u>2009</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Purchases</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Balance</u> <u>December 31,</u> <u>2009</u>
<u>\$ 4,470,556</u>	<u>(\$2,080,219)</u>	<u>\$10,414</u>	<u>\$ (650)</u>	<u>(\$114,907)</u>	<u>\$2,285,194</u>

NOTE 5 – BUDGETS AND BUDGETARY ACCOUNTING

The District is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves a budget each year, which is used by management to internally monitor the District's expenditures and is presented as supplementary information.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

NOTE 6 – BONDS PAYABLE

On March 28, 2003, the district issued \$625,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series B, 2003 with an effective interest rate of 2.91412% to refund \$880,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series B, 1993 with an effective interest rate of 4.2977%.

The bonds were issued at various rates from 1.20% to 3.40% which mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2010	70,000	5,980	75,980
2011	<u>110,000</u>	<u>3,740</u>	<u>113,740</u>
Totals	<u>\$180,000</u>	<u>\$9,720</u>	<u>\$189,720</u>

Issuance costs of \$15,507 were paid at the time these revenue bonds were issued. These costs were capitalized and are being amortized over the life of the revenue bonds, using the straight-line method. Amortization for 2009 is \$1,939 and was \$1,938 for 2008.

The bonds were issued at a discount of \$5,875 which is being amortized over the life of the bonds using the straight line method. Amortization for 2009 is \$734, and for 2008 was \$735.

A bond reserve account of \$62,500 is required to be maintained. This amount is segregated as a Certificate of Deposit at Central National Bank in Gypsum. The current balance is \$76,696.

NOTE 7 – DEBT SERVICE RATIO

The bond issue covenants require the District to maintain a debt service ratio of at least 1.25.

Debt Service Ratio Calculation for the years ending:	<u>December 31, 2008</u>	<u>December 31, 2009</u>
Change in Net Assets	\$71,304	\$ 71,799
Interest Expense	29,351	27,077
Amortization & Depreciation	110,308	117,580
Less Capital Contributions	<u>(49,896)</u>	<u>(20,563)</u>
Total Revenue Available for Debt Service	<u>\$ 161,067</u>	<u>\$ 195,893</u>
Debt Service Payments	\$106,009	\$104,089
Debt Service Ratio	<u>1.52</u>	<u>1.88</u>

The District is in compliance with the bond issue covenants.

NOTE 8 – NOTES PAYABLE

On October 28, 1998, the District financed a forty (40) year mortgage note for \$465,000 with the United States Department of Agriculture, Rural Development. Monthly payments of \$2,167 are being made, which totals to \$26,004 annually. Rural Development computes the interest due each month, as the payment is made, and thus the principle payments are approximate. Interest is computed at 4.75% annually. A reserve account of \$26,004 is required. The balance is segregated in a Certificate of Deposit at Roxbury Bank in Roxbury. The current balance is \$27,937.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

NOTE 8 – NOTES PAYABLE (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2010	6,796	19,208	26,004
2011	7,125	18,879	26,004
2012	7,471	18,533	26,004
2013	7,834	18,170	26,004
2014	8,215	17,789	26,004
2015-2019	47,457	82,563	130,020
2020-2024	60,150	69,870	130,020
2025-2029	76,239	53,781	130,020
2030-2034	96,632	33,388	130,020
2035-2038	<u>89,555</u>	<u>14,461</u>	<u>104,016</u>
Totals	<u>\$ 406,474</u>	<u>\$ 347,642</u>	<u>\$ 754,116</u>

NOTE 9 – LONG-TERM DEBT

The following schedule shows the changes in long-term debt and related maturities.

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Outstanding 1-1-09</u>	<u>Principal Payments</u>	<u>Outstanding 12-31-09</u>	<u>Interest Paid In 2009</u>
Revenue Bonds	03-28-03	\$ 625,000	\$ 250,000	\$ 70,000	\$ 180,000	\$ 8,080
USDA Note	10-28-98	<u>456,000</u>	<u>413,955</u>	<u>6,487</u>	<u>407,468</u>	<u>19,522</u>
Total Indebtedness		<u>\$1,081,000</u>	<u>\$663,995</u>	<u>\$76,487</u>	<u>\$587,468</u>	<u>\$27,602</u>

NOTE 10 - RETIREMENT PLAN

The district provides annuities for its eligible full-time employees. The District contributes 3% of the employee's salary to their annuity. If employment is terminated, the annuity remains the property of the employee. In 2009, the District contributed \$1,149 and in 2008 1,645 to the retirement plan. The annuities are with the Hartford Life Insurance Company.

NOTE 11 - COMPENSATED ABSENCES POLICY

The District provides sick leave for their eligible full-time employees at a rate of ½ day per month. These days may be carried forward to future years. If the employment is terminated, the sick leave is lost. Vacation compensation for eligible full-time employees is earned after one year of employment, accumulates and any unused is paid at termination. After one year, 5 days are earned; for two through twenty years of service 10 days are earned; and for over twenty years, 15 days of vacation are earned. At December 31, 2009, no employees had vacation days accrued, and at December 31, 2008 the value was \$280.

NOTE 12 – DESIGNATIONS OF UNRESTRICTED NET ASSETS

The Board of Directors has designated a reservation of unrestricted net assets for capital improvements in the amount of \$305,624 and for debt payment in the amount of \$19,595 as of December 31, 2009. At December 31, 2008, capital improvements and debt service were designated at \$265,905 and \$20,120 respectively.

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
CARLTON, KANSAS
DECEMBER 31, 2009

NOTE 13 - LITIGATION

There were no legal actions involving the Dickinson County Rural Water District No. 2 as of December 31, 2009.

NOTE 14 – RISK MANAGEMENT

Dickinson County Rural Water District No. 2 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Companies through Anderson Peck Agency Inc. in Topeka, Kansas. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

NOTE 15 – RELATED PARTIES

All the members of the board of directors and all but two part-time employees are water district customers. The only material transactions were water purchases consummated on the same terms as all other water customers. All were current at year-end.

SUPPLEMENTARY INFORMATION

DICKINSON COUNTY RURAL WATER DISTRICT NO. 2
BUDGET REPORT - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES	Budget	Actual	Variance
Monthly Minimum	\$ 234,000	\$ 229,195	(4,805)
Water Revenues	153,000	163,586	10,586
TOTAL OPERATING REVENUES	387,000	392,781	5,781
EXPENDITURES			
Analysis of Water System	500	391	(109)
Audit Fees	5,500	5,459	(41)
Backhoe & Trailer Expense	300	1,861	1,561
Clean Drinking Water Fee	1,400	1,399	(1)
Director's Costs	1,600	608	(992)
Dues and Subscriptions	1,000	655	(345)
Employee Benefits	7,245	1,149	(6,096)
Engineering Fees	3,000	1,320	(1,680)
Insurance	9,800	9,392	(408)
Legal Fees	2,000	762	(1,238)
Maintenance Supplies	1,000	105	(895)
Maintenance Repairs	10,000	15,731	5,731
Miscellaneous	1,000	97	(903)
Office Expense	2,910	2,720	(190)
Payroll Taxes	6,350	6,675	325
Postage	5,500	3,788	(1,712)
Printing	2,000	1,837	(163)
Pump Maintenance	100	487	387
Rent and Lease Expense	2,000	2,000	-
Salaries & Wages	83,000	92,748	9,748
Tank Maintenance	13,000	13,020	20
Telemetry System	1,850	381	(1,469)
Telephone	1,550	1,565	15
Training	2,000	975	(1,025)
Travel	1,500	1,564	64
Truck Expense	13,000	12,960	(40)
Utilities	13,800	12,361	(1,439)
Water Purchases - Abilene	67,000	62,409	(4,591)
TOTAL OPERATING EXPENDITURES	259,905	254,419	(5,486)
DEBT RETIREMENT:			
Bond Principal Paid	70,000	70,000	-
Bond Interest	8,080	8,080	-
Mortgage Payments (P&I)	26,004	26,004	-
TOTAL EXPENDITURES	363,989	358,503	(5,486)
OTHER INCOME (EXPENSES)			
New Benefit Units	-	20,563	20,563
Interest Income	13,000	8,353	(4,647)
Other Income and (Expense)	-	29,758	29,758
Capital Improvements	(77,000)	(10,414)	66,586
TOTAL OTHER INCOME (EXPENSE)	(64,000)	48,260	(112,260)
INCREASE (DECREASE) IN CASH	\$ (40,989)	\$ 82,538	\$ 123,527

The notes to the financial statements are an integral part of this statement.